

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 157 – SB 1310

February 19, 2023

SUMMARY OF BILL: Eliminates the state and local business tax for tax periods beginning on or after January 1, 2024. Requires that business licenses not have an expiration date and be nonrenewable.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue – \$285,600,000/FY23-24
\$336,000,000/FY24-25 and Subsequent Years**

**Decrease Local Revenue – \$274,735,600/FY23-24
\$323,218,300/FY24-25 and Subsequent Years**

Assumptions:

- According to Fiscal Review staff estimates, FY23-24 state business tax collections are estimated to be \$336,000,000. For the purposes of this analysis, this number is assumed to remain constant into perpetuity.
- According to the Department of Revenue (DOR), local business collections were \$281,815,404 in FY21-22.
- According to Fiscal Review Committee staff estimates, growth rates for the business tax are estimated to be 9.23 percent in FY22-23, and 5.0 percent in FY23-24.
- For the purposes of this analysis, local business tax collections are estimated to be \$323,218,314 (\$281,815,404 x 1.0923 x 1.05) in FY23-24. This number is assumed to remain constant into perpetuity.
- Based on information provided by DOR, 85 percent of business taxes are collected between the months of January and July.
- The decrease in state revenue is estimated to be \$285,600,000 (\$336,000,000 x 85%) in FY23-24 and \$336,000,000 in FY24-25 and subsequent years.
- The decrease in local revenue is estimated to be \$274,735,567 (\$323,218,314 x 85%) in FY23-24 and \$323,218,314 in FY24-25 and subsequent years.
- Pursuant to Tenn. Code Ann. § 67-4-723(b) there is no fee charged for renewal of a business license; therefore, any impact on license revenue is not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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